

1. OVERVIEW

1.1 Background

On April 26, 1996, the President signed a law requiring the electronic disbursement of all Federal benefit payments after January 1, 1999. This law, called “mandatory electronic funds transfer” (EFT), represents an opportunity for the Federal government to experience major cost savings while delivering Federal benefit payments more efficiently.

Currently, more than half of Federal benefit payments are made by EFT rather than by check. The percentage of EFT disbursements has been increasing since passage of the Debt Collection Improvement Act (DCIA), April 1996. For example, since August 1996, 82 percent of Social Security benefit payment enrollees have selected EFT. The current research effort was authorized to help the Federal government understand the attitudes and behaviors affecting the consumers’ choice to receive their Federal benefits payments electronically or through the mail and to identify what might motivate check recipients to accept their payments electronically. The Financial Management Service (FMS) of the Department of the Treasury will use this information to help design and implement programs for encouraging Federal benefit recipients to receive their payments electronically.

1.2 Scope

Although the mandatory EFT law covers Federal payments to both individuals and businesses, the current research focuses only on individuals receiving Federal benefits. Further, because the goal is to examine how the Federal government can encourage individuals to request electronic transfer of their payments, individuals who have already signed up for direct deposit of their Federal payments are excluded from the research. Agencies for which FMS disburses Federal benefit payments and that are covered by mandatory EFT include the Social Security Administration (SSA), the Office of Personnel Management (OPM), the Department of Veterans Affairs (VA), and the Railroad Retirement Board (RRB). All current recipients of benefit checks from these agencies compose the population under study.

The current project has four major components: a secondary data review, a qualitative research phase consisting of nine focus groups in four geographic markets, a telephone survey consisting of 1,000 telephone interviews with Federal benefit check recipients, and a mail survey sent to 1,811 Federal benefit check recipients for whom telephone numbers were unavailable. A detailed description of each component is presented in subsections 1.4 through 1.7 of this report. Taken together, these components create a sound basis for understanding how best to encourage these individuals to obtain electronic transfer of their Federal payments.

1.3 Research Objectives

This research has the following six objectives, which are the same for each component of the research:

- Describe the characteristics of Federal benefit check recipients.
- Analyze the banking relationships and financial habits of Federal benefit check recipients and the reasons that some do not have bank accounts.
- Ascertain the reasons for choosing Federal payments by check, and identify the obstacles to accepting payment by EFT.
- Measure interest in a new EFT delivery system in which payments are transferred electronically to nonfinancial institutions, such as post offices, check-cashing centers, and retail stores, and are accessed through a plastic card.
- Decide on the most effective messages for encouraging direct deposit among Federal benefit check recipients.
- Determine the most effective vehicles for communicating the benefits of direct deposit to Federal benefit check recipients.

Detailed findings for each component of the research are organized so that the results appear under the objective that they address. This arrangement ensures that each objective is addressed fully and that only information answering the research objectives is included in the project.

1.4 Research Methodology: Secondary Data Review

Secondary data were reviewed for information to assist in designing the qualitative and quantitative phases of the project and to give context to the overall analysis. Federal agencies (SSA, VA, OPM, RRB, the Federal Reserve System, and the Department of the Treasury) and other organizations likely to have information about consumers' acceptance and use of direct deposit were contacted. The organizations included National Automated Clearing House Association (NACHA), Electronic Funds Transfer Association (EFTA), American Bankers Association (ABA), Consumer Bankers Association (CBA), American League of Financial Institutions (ALFI), American Association of Retired Persons (AARP), America's Community Bankers (ACB), Independent Bankers Association of America (IBAA), and Consumer Federation of America (CFA). In several instances, these agencies and organizations maintain World Wide Web sites that offer relevant information.

In addition, Internet and database searches using the CARL, UnCover, and Dialog systems were conducted by entering key words, such as "unbanked," "alternative financial sector," "lower income," and "EFT," to secure articles from the popular press and academic journals. Preliminary search results led to additional sources, as did leads provided by FMS.

1.5 Research Methodology: Focus Groups

The focus group technique was selected to obtain qualitative information about the study objectives and to help identify issues for inclusion in the quantitative phase. A focus group is a

panel discussion involving 8 to 10 representatives of a selected target market for a particular service, product, or idea. The technique is especially useful for gathering in-depth information on a topic or for targeting market reactions to a new product or service as well as for assessing reactions to marketing and advertising concepts. The discussion is led by a moderator who is trained in consumer behavior theories and marketing principles. Participants in the discussion are encouraged to relate to each other, share attitudes, and provide candid opinions on the topics presented to them by the moderator or generated by the dynamics of the group. Consensus is not sought. The moderator is not supposed to proselytize or educate respondents but is to use facilitator skills to question, probe, and clarify responses and to control the flow of the conversation to cover all relevant areas of interest to the client.

Shugoll Research and FMS met to identify and rank the study objectives and criteria to be used for recruiting respondents. Shugoll Research then designed a screener (see Appendix A) to identify and screen qualified participants. The screener was submitted to the client and the Office of Management and Budget (OMB) for review and approval. Client suggestions were integrated into the final version of the screening instrument before recruitment began.

Nine focus groups were used in four cities. Three groups were composed of respondents who are retired and receive Social Security or some type of Federal pension check (Tampa, 1/8/97; Kansas City, 1/13/97; San Diego, 1/30/97); three groups consisted of respondents who receive some type of Federal disability check (Philadelphia, 1/7/97; Tampa, 1/8/97; San Diego, 1/29/97); and three groups were of respondents who receive Supplemental Security Income (SSI) checks (Philadelphia, 1/7/97; Kansas City, 1/13/97; San Diego, 1/29/97). To qualify for the groups, respondents had to meet the following criteria:

- Receive regular payments from a Federal program: SSA, VA Pension, Railroad Retirement, Federal Civil Service Retirement, VA Disability, Railroad Disability, Civil Service Disability, and SSI. Respondents also were accepted for the disabled groups if they indicated that they received Social Security Disability.
- Receive their payments by check.

To the extent possible, respondents were recruited to represent a cross section of individuals who do and do not have a checking or savings account at any type of financial institution, racial backgrounds, household incomes, and locations (city, suburb, small town, and rural area). In addition, for the groups whose members receive disability payments and SSI, a mix by age was sought.

Respondents were recruited from computerized databases supplemented by other local resources in the four cities. Especially for the disability groups, local veterans' groups and organizations of the disabled were contacted and newspaper ads were placed to identify qualified individuals. For each focus group, 12 to 15 respondents were recruited. Once a potential respondent was screened and qualified, a cash honorarium was offered to encourage participation in the study and to help guarantee a show of 8 to 10 respondents. When a respondent agreed to participate in one of the group sessions, a confirmation letter was mailed. The letter confirmed the time, date, and

location of the group session and the promised honorarium and provided detailed directions to the focus group facility. The day before each group session, all respondents were reconfirmed by telephone.

Shugoll Research designed a topic guide (see Appendix B) to be used by the focus group moderator in leading the discussion groups. The guide was designed to meet the study objectives and submitted to the client and OMB for approval before recruiting. Each session began with introductory remarks and respondent introductions; the groups then discussed each of the study objectives. Client comments and suggestions were integrated into the moderator's guide before the discussion groups began.

The focus groups were held in specially designed research facilities. Representatives from FMS observed the focus group sessions from behind a one-way mirror. Each group was audiotaped and videotaped, and the tapes have been made available to the client.

A qualitative research methodology such as focus groups seeks to develop directions rather than obtain quantitatively precise or absolute measures. Because of the limited number of respondents involved in this type of research, the study should be considered exploratory, and the results should be used to generate hypotheses for marketing decision-making and further testing. The nonstatistical nature of qualitative research means that the results cannot be generalized to the population under study with a known level of statistical precision.

1.6 Research Methodology: Telephone Interviewing

A telephone survey of 1,000 Federal benefit check recipients was conducted to validate results from the focus groups and to quantify the degree to which certain attitudes and behaviors exist among the larger population. Conducting the study by telephone had the following advantages:

- Provided fast receipt of data.
- Increased control over sampling and interviewing procedures.
- Ensured completion of a predetermined number of interviews while minimizing nonresponse bias.
- Allowed respondents' answers to be probed and clarified.

A stratified random sample was used as the basis for the interviews. Randomly selected names and addresses of Federal benefit check recipients were drawn from each program's files and delivered to Shugoll Research for sampling. Shugoll Research used a computer program to match the names and addresses electronically with telephone numbers, where available. The list of names and addresses provided by each agency and the successful rate of telephone matching are shown in Table 1. Because the original SSI file produced a small number of matched names and to ensure that there would be enough interviews, this program's check recipients were sampled a second time.

Table 1. Names Available for Telephone Survey by Agency

List	Total Records	Matched Records	Percent Matched	Interviews Desired	Sample Ratio
SSA	13,091	5,518	42	500	11:1
SSI Original	3,750	700	19	150	5:1
VA	3,750	1,898	51	150	12:1
OPM	2,588	1,369	53	100	14:1
RRB	3,011	1,727	57	100	17:1
SSI Additional	10,000	2,843	28	150 Total From Both Lists	24:1

A target number of interviews to be completed for each program was established so that the agencies with the largest number of benefit check recipients would be more heavily represented in the sample. An adequate number of interviews from each program could be examined separately, if desired. Population size, sample size, and sample reliability overall and by each agency are presented in Table 2.

Table 2. Sample Size and Reliability by Agency

Program	Population Size	Percent of Population	Target Sample Size	Percent of Sample	Reliability Estimates*
SSA	16.8M	70	500	50	+/-4.5
SSI	4.8M	20	150	15	+/-8.2
VA	1.5M	6	150	15	+/-8.2
OPM	0.6M	3	100	10	+/-10.0
RRB	0.3M	1	100	10	+/-10.0
Total	24.0M	100	1,000	100	+/-3.2

*Reliability estimates are calculated at the 95 percent confidence interval.

A questionnaire was designed by Shugoll Research that is based on the list of study objectives and the results from the focus group research. This questionnaire was pretested on eight respondents from the OPM list. On the basis of this pretest, some changes were recommended. The draft questionnaire also was submitted to FMS and OMB for comment and approval. Their comments were integrated into the final questionnaire before the start of interviewing. A copy of the final questionnaire is in Appendix C.

All interviews were conducted between March 10, 1997, and March 24, 1997. Interviewing was conducted during evenings and weekends to allow equal access to working and nonworking individuals. Interviews averaged approximately 11 minutes. On average, 55 percent of the individuals interviewed qualified for study participation. The remainder did not qualify because of one of three reasons:

- The person works in a sensitive industry.
- The person claims not to receive Federal benefit checks from the designated program.
- The person is not the one who decides whether the Federal benefit payment is received through the mail or by direct deposit.

For maximizing the reliability of the data, the following quality control procedures were used:

- After the questionnaire received final government approval, it was programmed for computer-assisted telephone interviewing (CATI). CATI ensured that skip patterns were followed so that certain questions were asked only of appropriate respondents. CATI also randomized the order in which rotated lists of rated items were used to minimize order bias.
- All interviews were conducted from a central telephone bank that was carefully monitored by a project supervisor.
- Only experienced interviewing staff were used, and all interviewers and field supervisors were required to attend an extensive briefing on interviewing procedures and protocols.
- Up to three attempts were made to contact respondents before another name was substituted to minimize nonresponse bias.
- Daily progress reports were submitted by the field supervisors to the project manager so that the project manager could monitor progress and readily identify problem areas, if any.
- At least 10 percent of all interviews were monitored electronically by the field supervisors.
- A random sample of 10 percent of each interviewer's work was validated by the project supervisor using a brief questionnaire that repeated key questions to survey respondents.
- Completed interviews were reviewed by project staff on an ongoing basis to monitor the quality of interviewing.

Data were analyzed overall and for selected subgroups. The following subgroups were examined:

- Retirement check recipients (defined as SSA, VA Pension, Railroad Retirement, or Federal Civil Service Retirement check recipients)
- Disability check recipients (defined as VA Disability, Railroad Disability, or Civil Service Disability check recipients)

- SSI check recipients
- Check recipients with a bank account (“banked” recipients)
- Check recipients without a bank account (“unbanked” recipients)
- Check recipients under 55 years of age
- Check recipients 55 to 74 years of age
- Check recipients 75 years or older
- Check recipients with annual household incomes of less than \$10,000
- Check recipients with annual household incomes of \$10,000 to \$24,999
- Check recipients with annual household incomes of \$25,000 to \$49,999
- Check recipients with annual household incomes of \$50,000 or more
- Male check recipients
- Female check recipients
- Check recipients who live in an urban area
- Check recipients who live in a suburban area
- Check recipients who live in a small town area
- Check recipients who live in a rural area
- Check recipients who are White, not Hispanic
- Minority check recipients
- Check recipients who are financial guardians or caregivers.

Copies of the data tables were presented to FMS in hard copy and on data diskette under separate cover. In addition to presenting the findings for each question cross-tabulated by the listed subgroups, statistical testing at the 95 percent confidence level was run between subgroups. Summary statistics (e.g., mean, standard deviation, and median) also were run, where appropriate.

The major limitation of the telephone survey is that it can address only a population of Federal benefit check recipients who have a telephone, have a listed telephone number, and whose current telephone number is listed under their names. Given the large number of Federal benefit check recipients (especially SSI check recipients) for whom a telephone number could not be obtained, this limitation is important. The omission of households with no telephone or no listed telephone number is most likely to affect profiles of check recipient characteristics (because these households are expected to be of lower income than households with telephone numbers) and analyses of the unbanked population.

1.7 Research Methodology: Mail Survey

A mail survey was conducted among Federal benefit check recipients who could not participate in the telephone survey because their telephone numbers are unlisted, listed under someone else's name, the recipients do not have telephones, or the recipients have moved recently. The purpose of this survey was to ensure that all Federal benefit check recipients have an equal chance of participating in the research and that the quantitative research results are not subject to systematic sampling bias.

Shugoll Research, with input from Booz·Allen and FMS, designed the self-administered mail questionnaire, incorporating key questions from the previous telephone survey. The wording of some questions was changed slightly to make it appropriate for using the self-administered data collection technique. In addition, fewer questions are in the mail survey than in the telephone survey because of the space constraints of the 4-page survey booklet. A copy of the mail survey is in Appendix D of this report.

The questionnaire was mailed to one-eighth of Federal benefit check recipients from the initial sample whose telephone numbers had not been found by an electronic matching program. The names and addresses of the recipients of the mail questionnaire were selected randomly from the unmatched part of the sample previously used in the telephone study. The numbers, by agency, are as follow:

Table 3. Mail Survey Sampling Ratio by Agency

Agency	Number of Unmatched Names from Original Telephone Survey Sample	Size of Mailing	Ratio of Names to Mailout Size
SSA	7,146	893	8:1
VA	1,811	226	8:1
SSI	3,050	381	8:1
RRB	1,283	160	8:1
OPM	1,207	151	8:1
Total	14,497	1,811	8:1

A total of 1,811 questionnaires with accompanying cover letters and postage-paid envelopes was mailed on June 25, 1997. The following procedures for maximizing response rates were implemented:

1. The survey was kept short and easy to follow. It also had lots of white space and large type so that it would not be intimidating and would be easy for senior adults and visually impaired and low-literacy individuals to read.
2. There were no identifiers on the survey or on the postage-paid return envelope so that respondents could be assured of complete anonymity and confidentiality.
3. The cover letter was printed on FMS stationery and was signed by the FMS' Assistant Commissioner of Federal Finance. The letter explained to Federal benefit check recipients why participation in the survey is important, stressed the respondents' anonymity, described how they would benefit by participating, and noted the required response date. See Appendix D for a copy of the letter.
4. The survey was mailed in envelopes similar to those used for the respondents' checks. The envelopes were mailed from the FMS' Philadelphia Regional Financial Center, where most of the respondents' checks are mailed.
5. A postage-paid envelope addressed to "Treasury Survey c/o Shugoll Research" was included with the survey.
6. A reminder postcard was sent to all potential respondents approximately 2 weeks after the original survey mailing date, on July 7, 1997. A second reminder postcard was sent to all potential respondents on July 14, 1997, approximately 3 weeks after the survey mailing date. Copies of the postcards are in Appendix D.

Of the 1,811 surveys mailed, 35 (2 percent) were returned as undeliverable. The undeliverable surveys are a result of the list of potential respondents being processed in February 1997 for the telephone survey and the mailing being conducted in June 1997. Surveys were undeliverable because the recipient changed address or had died. A total of 754 questionnaires was returned by July 25, 1997, and was included in the analysis. An additional 15 questionnaires were returned in August 1997, (after the cut-off date) and were not included in the analysis. The resulting response rate of 42 percent means that results are reliable to plus or minus 3.6 percentage points at the 95 percent confidence level. The response rate by agency is shown in Table 4. Figure 1 shows the response rate by date and clearly identifies the increase in returns several days after each reminder postcard was mailed.

Table 4. Response Rate by Agency

Agency	Size of Mailing	Number of Surveys Returned	Approximate Response Rate*
SSA	893	427	48%
VA	226	125	55%
SSI	381	207	54%
RRB	160	77	48%

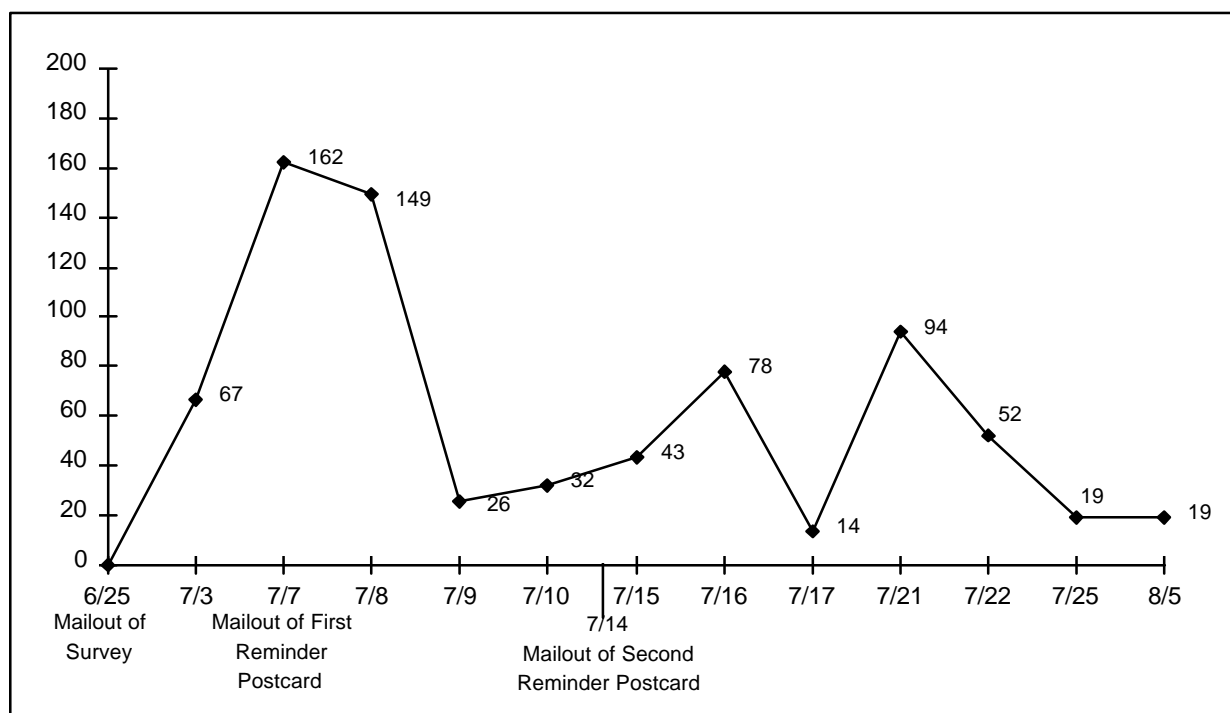
OPM	151	88	58%
Total	1,811	754*	42%

*Number of returned surveys by agency exceeds total because some Federal benefit check recipients receive checks from more than one agency. Response rates are approximate because it is not possible to determine from which agency's list respondents with multiple benefit checks were drawn.

Data were analyzed overall and for selected subgroups. The subgroups examined are nearly identical to those analyzed for the telephone study. Because of differences in the distribution of respondents across sample subgroups, there were too few respondents earning \$50,000 or more per year, so the highest income category for the mail survey was collapsed to \$25,000 or more. In addition, given the larger number of older respondents to the mail survey, the subgroup for respondents 55 to 74 years of age was divided into two groups consisting of those 55 to 64 years and those 65 to 74 years. The caregiver subgroup is not included in the mail survey tables because the mail survey instrument did not identify whether the respondent was the actual Federal check beneficiary or a caregiver responsible for the fiscal affairs of a beneficiary.

Copies of the data tables were presented to FMS in hard copy and on data diskette under separate cover. In addition to presenting the findings for each question cross-tabulated by the listed subgroups, statistical testing at the 95 percent confidence level was performed between subgroups. Summary statistics (e.g., means, standard deviations, and medians) also were run, where appropriate.

Figure 1. Returned Surveys by Date



The major limitation of a self-administered methodology is nonresponse bias. This occurs if Federal benefit check recipients who responded to the mail survey are significantly different from

those who did not respond in demographics, attitudes, and opinions or other factors. Because no comprehensive profile of Federal benefit check recipients is available, determining the extent to which nonresponse bias exists is impossible. However, the high response rate to this survey means that the chance of significant nonresponse bias is reduced.

Another issue in a self-administered survey is that respondents may skip questions or fail to follow instructions. To minimize the effect of nonresponse to selected questions, the data presented in the report are based on the number of respondents who answered each question.